



Senate

General Assembly

File No. 193

January Session, 2007

Substitute Senate Bill No. 1329

Senate, March 29, 2007

The Committee on Energy and Technology reported through SEN. FONFARA, J. of the 1st Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT CONCERNING BIODIESEL.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective July 1, 2007*) For the purposes of sections
2 1 to 7, inclusive, of this act:

3 (1) "Biodiesel" means a fuel comprised of mono-alkyl esters of long
4 chain fatty acids derived from vegetable oils or animal fats, designated
5 B100, and meeting the requirements of designation D6751 of the
6 American Society for Testing and Materials.

7 (2) "Qualified biodiesel producer" means a facility that produces
8 biodiesel and is registered with the state of Connecticut, domiciled in
9 Connecticut and actively engaged in the production of biodiesel in
10 Connecticut for commercial purposes.

11 (3) "Qualified biodiesel distributor" means a facility that stores and
12 distributes biodiesel and is registered with the state of Connecticut,

13 domiciled in Connecticut and actively engaged in the storage and
14 distribution of biodiesel in Connecticut for commercial purposes.

15 Sec. 2. (NEW) (*Effective July 1, 2007*) (a) There is established an
16 account to be known as the "Connecticut qualified biodiesel producer
17 incentive account", which shall be a separate, nonlapsing account
18 within the General Fund. The account shall contain any moneys
19 required by law to be deposited in the account.

20 (b) The moneys in said account shall be expended by the
21 Connecticut Center for Advanced Technology for the purpose of
22 administration of the program providing grants to qualified biodiesel
23 producers and qualified biodiesel distributors pursuant to sections 3 to
24 7, inclusive, of this act.

25 Sec. 3. (NEW) (*Effective July 1, 2007*) (a) A qualified biodiesel
26 producer shall be eligible for not more than sixty monthly grants from
27 the account. The Connecticut Center for Advanced Technology shall
28 determine monthly grant amounts by calculating the estimated gallons
29 of biodiesel produced during the preceding month, as certified by the
30 Connecticut Center for Advanced Technology, and multiplying such
31 figure by the following per gallon amount or amounts: (1) For the first
32 five million gallons of biodiesel produced, thirty cents per gallon; (2)
33 for the second five million gallons of biodiesel produced, twenty cents
34 per gallon; and (3) for the third five million gallons of biodiesel
35 produced, ten cents per gallon.

36 (b) Biodiesel produced by a qualified biodiesel producer in excess of
37 fifteen million gallons shall not be eligible for a grant pursuant to this
38 section.

39 Sec. 4. (NEW) (*Effective July 1, 2007*) (a) To receive a grant pursuant
40 to section 3 of this act, a qualified biodiesel producer shall file an
41 application for such funds not later than fifteen days after the last day
42 of the month for which the grant is sought. The application shall
43 include, but not be limited to, (1) the location of the qualified biodiesel
44 producer; (2) the number of Connecticut citizens employed by the

45 qualified biodiesel producer in the preceding month; (3) the number of
46 gallons of biodiesel produced during the month for which the grant is
47 sought; (4) a copy of the qualified biodiesel producer's Connecticut
48 registration; and (5) any other information deemed necessary by the
49 Connecticut Center for Advanced Technology to ensure that such
50 grants shall be made only to qualified biodiesel producers.

51 (b) The Connecticut Center for Advanced Technology shall pay all
52 grants for a particular month by the fifteenth day after receipt and
53 approval of the application filed pursuant to subsection (a) of this
54 section.

55 Sec. 5. (NEW) (*Effective July 1, 2007*) A qualified biodiesel producer
56 shall be eligible for a one-time grant pursuant to section 2 of this act to
57 assist with purchasing equipment or constructing, modifying or
58 retrofitting production facilities. Such grant shall not exceed three
59 million dollars, regardless of the number of facilities owned by said
60 qualified biodiesel producer.

61 Sec. 6. (NEW) (*Effective July 1, 2007*) A qualified biodiesel distributor
62 shall be eligible for a grant pursuant to section 2 of this act for
63 purposes other than to assist with purchasing equipment or
64 constructing, modifying or retrofitting facilities, including, but not
65 limited to, the actual costs of creating storage and distribution capacity
66 for biodiesel during the month. Such grants shall not exceed fifty
67 thousand dollars for any one distributor at any one site. The
68 Connecticut Center for Advanced Technology shall create an
69 application process and adopt rules for the administration of this grant
70 provision.

71 Sec. 7. (NEW) (*Effective July 1, 2007*) The management of the
72 Connecticut Center for Advanced Technology, in consultation with the
73 Department of Economic and Community Development, shall
74 promulgate rules and regulations necessary for the administration of
75 the provisions of this section on the progress of the grant programs
76 administered pursuant to sections 2 to 7, inclusive, of this act. The
77 Connecticut Center for Advanced Technology shall submit an annual

78 report, in accordance with the provisions of section 11-4a of the general
79 statutes, to the joint standing committees of the General Assembly
80 having cognizance of matters relating to energy and technology and
81 the environment.

82 Sec. 8. (NEW) (*Effective October 1, 2007*) (a) The Institute for
83 Sustainable Energy shall (1) compile and distribute educational
84 materials regarding biodiesel to municipalities, local boards of
85 education and private commercial entities to educate future
86 consumers, and (2) establish and administer a Connecticut biodiesel
87 link program to establish a database of schools, restaurants,
88 institutional cafeterias and other institutions and businesses in the
89 state that produce waste vegetable oil or other comparable food
90 product suitable for conversion to biodiesel. The database shall be
91 maintained by the Institute for Sustainable Energy and shall be made
92 available to the public on said institute's Internet web site. Businesses
93 interested in selling their waste vegetable oil or other comparable food
94 product to producers of biodiesel heating and motor vehicle fuel may
95 notify the Institute for Sustainable Energy and have their names,
96 contact information and intentions regarding such businesses placed
97 on said web site. The Institute for Sustainable Energy shall make
98 reasonable efforts to facilitate contact between parties with similar
99 interests.

100 (b) The Institute for Sustainable Energy shall post educational
101 materials regarding the Connecticut biodiesel link program on said
102 institute's Internet web site, and such information shall be posted on
103 the Internet web sites of the Department of Economic and Community
104 Development, the Department of Agriculture, the Connecticut
105 Agricultural Experiment Station, The University of Connecticut Biofuel
106 Consortium and The University of Connecticut Cooperative Extension
107 System, including, but not limited to, information regarding the
108 starting of a waste vegetable oil business and strategies for conducting
109 such business.

110 Sec. 9. (NEW) (*Effective July 1, 2007*) (a) There is established a grant

111 program for service stations, which shall be administered by the
112 Department of Economic and Community Development to reduce or
113 eliminate the upfront costs of installing new alternative fuel pumps or
114 converting gas or diesel pumps to dispense alternative fuels.

115 (b) The Commissioner of Economic and Community Development
116 shall adopt regulations, in accordance with the provisions of chapter
117 54 of the general statutes, for the administration of the program
118 established by this section.

119 Sec. 10. Subdivision (16) of section 12-412 of the general statutes is
120 repealed and the following is substituted in lieu thereof (*Effective from*
121 *passage and applicable to sales occurring on or after July 1, 2007*):

122 (16) (A) Sales of fuel used for heating purposes (i) in any residential
123 dwelling or (ii) in any building, location or premise utilized directly in
124 agricultural production, fabrication of a finished product to be sold or
125 an industrial manufacturing plant, provided the exemption under this
126 subdivision (ii) shall only be allowed with respect to a building,
127 location or premise in which not less than seventy-five per cent of the
128 fuel used in such building, location or premise is used for the purpose
129 of such production, fabrication or manufacturing.

130 (B) This exemption also applies to (i) the renewable fuel content of
131 fuel used for heating purposes, and (ii) the purchase of equipment and
132 machinery used to store, distribute, manufacture and blend renewable
133 fuels for heating purposes.

134 (C) "Renewable fuel content" means fuels that meet the
135 specifications of the American Society of Testing and Materials
136 designation D396 or D975 of not less than five per cent or D6751.

137 Sec. 11. Subsection (a) of section 12-701 of the general statutes is
138 amended by adding subdivisions (37) to (39), inclusive, as follows
139 (*Effective from passage and applicable to income years commencing on or after*
140 *January 1, 2008*):

141 (NEW) (37) "Biodiesel blended heating fuel" means a fuel comprised

142 of a minimum of two per cent biodiesel blended with conventional
143 home heating oil, which meets the specifications of the American
144 Society of Testing and Materials designation D396 or D975 or the latest
145 version of D6751.

146 (NEW) (38) "Biodiesel" means a fuel comprised of mono-alkyl esters
147 of long chain fatty acids derived from vegetable oils or animal fats,
148 designated B100 (pure biodiesel), which meets the specifications of the
149 American Society of Testing and Materials designation D6751.

150 (NEW) (39) "Residential purposes" means the use of any structure,
151 or part of a structure, in Connecticut used as a place of abode
152 maintained by or for a person, whether or not owned by such person,
153 on other than a temporary or transient basis. "Residential purposes"
154 includes multifamily dwelling units, such as multifamily homes,
155 apartment buildings, condominiums and cooperative apartments.
156 "Residential purposes" does not include the part of a structure used as
157 a hotel, motel or similar space, except for those units used by the same
158 occupant for not less than ninety consecutive days.

159 Sec. 12. (NEW) (*Effective from passage and applicable to income years*
160 *commencing on or after January 1, 2008*) (a) Any resident of this state, as
161 defined in subdivision (1) of subsection (a) of section 12-701 of the
162 general statutes, subject to the tax under chapter 229 of the general
163 statutes for any taxable year shall be entitled to a credit in determining
164 the amount of tax liability under chapter 229 of the general statutes
165 equal to one cent per gallon for each per cent of biodiesel, as defined in
166 subdivision (38) of subsection (a) of section 12-701 of the general
167 statutes, as amended by this act, included in the biodiesel blended
168 heating fuel, as defined in subdivision (37) of subsection (a) of section
169 12-701 of the general statutes, as amended by this act, purchased by the
170 taxpayer on or after January 1, 2008, but before December 31, 2012.
171 Said credit shall not exceed twenty cents per gallon. The biodiesel
172 blended heating fuel shall be used for space heating or hot water
173 production for residential purposes, as defined in subdivision (39) of
174 subsection (a) of section 12-701 of the general statutes, as amended by

175 this act, within the state. If a taxpayer makes more than one qualifying
176 purchase of biodiesel blended heating fuel and the percentage of
177 biodiesel included in the biodiesel blended heating fuel varies, said
178 taxpayer shall calculate each purchase of biodiesel blended heating
179 fuel separately. If two or more taxpayers share in the purchase of
180 biodiesel blended heating fuel, the amount of the credit allowable to
181 each taxpayer is to be prorated according to the percentage of the total
182 biodiesel blended heating fuel purchased by each taxpayer.

183 (b) The credit allowed under this section shall not exceed five
184 hundred dollars for each taxable year. In the case of two or more
185 taxpayers sharing in the purchase of biodiesel blended heating fuel,
186 the credit allowed, in the aggregate, shall not exceed five hundred
187 dollars for each taxable year.

188 Sec. 13. Subdivision (2) of subsection (b) of section 12-587 of the
189 general statutes is repealed and the following is substituted in lieu
190 thereof (*Effective July 1, 2007*):

191 (2) Gross earnings derived from the first sale of the following
192 petroleum products within this state shall be exempt from tax: (A) Any
193 petroleum products sold for exportation from this state for sale or use
194 outside this state; (B) the product designated by the American Society
195 for Testing and Materials as "Specification for Heating Oil D396-69", or
196 the latest version, commonly known as number 2 heating oil, to be
197 used exclusively for heating purposes or to be used in a commercial
198 fishing vessel, which vessel qualifies for an exemption pursuant to
199 section 12-412, as amended by this act; (C) kerosene, commonly known
200 as number 1 oil, to be used exclusively for heating purposes, provided
201 delivery is of both number 1 and number 2 oil, and via a truck with a
202 metered delivery ticket to a residential dwelling or to a centrally
203 metered system serving a group of residential dwellings; (D) the
204 product identified as propane gas, to be used exclusively for heating
205 purposes; (E) bunker fuel oil, intermediate fuel, marine diesel oil and
206 marine gas oil to be used in any vessel having a displacement
207 exceeding four thousand dead weight tons; (F) for any first sale

208 occurring prior to July 1, 2008, propane gas to be used as a fuel for a
209 motor vehicle; (G) for any first sale occurring on or after July 1, 2002,
210 grade number 6 fuel oil, as defined in regulations adopted pursuant to
211 section 16a-22c, to be used exclusively by a company which, in
212 accordance with census data contained in the Standard Industrial
213 Classification Manual, United States Office of Management and
214 Budget, 1987 edition, is included in code classifications 2000 to 3999,
215 inclusive, or in Sector 31, 32 or 33 in the North American Industrial
216 Classification System United States Manual, United States Office of
217 Management and Budget, 1997 edition; (H) for any first sale occurring
218 on or after July 1, 2002, number 2 heating oil to be used exclusively in a
219 vessel primarily engaged in interstate commerce, which vessel
220 qualifies for an exemption under section 12-412, as amended by this
221 act; (I) for any first sale occurring on or after July 1, 2000, paraffin or
222 microcrystalline waxes; (J) for any first sale occurring prior to July 1,
223 2008, petroleum products to be used as a fuel for a fuel cell, as defined
224 in subdivision (113) of section 12-412; [or] (K) a commercial heating oil
225 blend containing not less than [ten] five per cent of alternative fuels
226 derived from agricultural produce, food waste, waste vegetable oil or
227 municipal solid waste, including, but not limited to, biodiesel or low
228 sulfur dyed diesel fuel; (L) for any first sale occurring on or after July 1,
229 2007, biofuels or biodiesel that meet the specifications of the American
230 Society of Testing and Materials designation D396, D975 or D6751
231 containing a blend of no less than five per cent renewable content; or
232 (M) for any first sale occurring on or after July 1, 2007, additives of any
233 derivation added to heating oil that is used exclusively for heating
234 purposes to maintain the stability or operational performance of
235 petroleum products.

236 Sec. 14. (NEW) (*Effective July 1, 2007*) (a) The Commissioner of
237 Administrative Services, in consultation with the Office of Policy and
238 Management, shall establish a program designed to encourage the use
239 in state buildings and facilities of biodiesel blended heating fuel mixed
240 from (1) not more than ninety-five per cent ultra low sulfur number 2
241 heating oil and not less than five per cent of biodiesel on or after July 1,
242 2008, and until June 30, 2010; (2) not more than ninety per cent ultra

243 low sulfur number 2 heating oil and not less than ten per cent of
244 biodiesel on or after July 1, 2010, and until June 30, 2012; and (3) not
245 more than eighty per cent ultra low sulfur number 2 heating oil and
246 not less than twenty per cent of biodiesel on or after July 1, 2012, and
247 until July 1, 2017.

248 (b) On or before January 1, 2008, the commissioner shall prepare a
249 plan for implementation of such program which shall include, but not
250 be limited to, (1) identification of state buildings and facilities suitable
251 for biodiesel blended heating fuel, (2) evaluation of energy efficiency
252 and reliability of biodiesel blended heating fuel in such buildings and
253 facilities, and (3) the availability and feasibility of exclusively using
254 such fuels or fuel products, including agricultural products or waste
255 yellow grease, produced in Connecticut.

256 Sec. 15. (NEW) (*Effective July 1, 2007*) (a) Notwithstanding section
257 10-266m of the general statutes, on and before July 1, 2008, and until
258 June 30, 2010, the Commissioner of Education shall, within available
259 appropriations, award grants annually to municipalities and to local
260 and regional boards of education to provide funds for the purchase of
261 biodiesel fuel mixed from not less than five per cent B100 biofuel for
262 school buses and school and municipal buildings. On and before July
263 1, 2010, and until June 30, 2012, said grants shall be awarded for the
264 purchase of biodiesel fuel mixed from not less than ten per cent B100
265 biofuel. On and after July 1, 2012, and until June 30, 2017, said grants
266 shall be awarded for the purchase of biodiesel fuel mixed from not less
267 than twenty per cent B100 biofuel.

268 (b) The commissioner shall adopt regulations, in accordance with
269 the provisions of chapter 54 of the general statutes, to set the standards
270 for the grant program established in subsection (a) of this section.

271 Sec. 16. (NEW) (*Effective July 1, 2007*) (a) The Connecticut
272 Agricultural Experiment Station, in consultation with The University
273 of Connecticut Cooperative Extension Service, The University of
274 Connecticut Biodiesel Consortium, and other state universities and
275 agencies, shall develop a program to enable The Connecticut

276 Agricultural Experiment Station, The University of Connecticut and
 277 the other state universities and agencies to serve as testing centers for
 278 biodiesel and biodiesel fuels for heating and transportation and to
 279 develop quality monitoring standards that comply with the standards
 280 of the American Society of Testing and Materials.

281 (b) The Connecticut Agricultural Experiment Station shall, on or
 282 before February twenty-eighth, annually, submit a report regarding its
 283 progress in accordance with the provisions of section 11-4a of the
 284 general statutes to the joint standing committees of the General
 285 Assembly having cognizance of matters relating to the environment
 286 and energy and technology.

287 Sec. 17. (*Effective July 1, 2007*) The sum of one million three hundred
 288 thousand dollars is appropriated to the Connecticut Agricultural
 289 Experiment Station, from the General Fund, for the fiscal year ending
 290 June 30, 2008, for biodiesel crop research and biodiesel testing in
 291 accordance with section 16 of this act.

292 Sec. 18. (*Effective July 1, 2008*) The sum of eight hundred thousand
 293 dollars is appropriated to the Connecticut Agricultural Experiment
 294 Station, from the General Fund, for the fiscal years ending June 30,
 295 2009, for biodiesel crop research and biodiesel testing in accordance
 296 with section 16 of this act.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>July 1, 2007</i>	New section
Sec. 2	<i>July 1, 2007</i>	New section
Sec. 3	<i>July 1, 2007</i>	New section
Sec. 4	<i>July 1, 2007</i>	New section
Sec. 5	<i>July 1, 2007</i>	New section
Sec. 6	<i>July 1, 2007</i>	New section
Sec. 7	<i>July 1, 2007</i>	New section
Sec. 8	<i>October 1, 2007</i>	New section
Sec. 9	<i>July 1, 2007</i>	New section

Sec. 10	<i>from passage and applicable to sales occurring on or after July 1, 2007</i>	12-412(16)
Sec. 11	<i>from passage and applicable to income years commencing on or after January 1, 2008</i>	12-701(a)
Sec. 12	<i>from passage and applicable to income years commencing on or after January 1, 2008</i>	New section
Sec. 13	<i>July 1, 2007</i>	12-587(b)(2)
Sec. 14	<i>July 1, 2007</i>	New section
Sec. 15	<i>July 1, 2007</i>	New section
Sec. 16	<i>July 1, 2007</i>	New section
Sec. 17	<i>July 1, 2007</i>	New section
Sec. 18	<i>July 1, 2008</i>	New section

Statement of Legislative Commissioners:

In section 3, provisions were rephrased and consolidated for clarity. In section 11, defined terms were modified for accuracy.

ET *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either chamber thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 08 \$	FY 09 \$
Department of Revenue Services	GF - Revenue Impact	See Below	See Below
Department of Revenue Services	GF - Cost	300,000	125,000
CT State Univ.	GF - Cost	120,000	120,000
Education, Dept.	GF - Cost	Potential	Potential
Department of Economic & Community Development	GF - Cost	See Below	See Below
Ag. Experiment Station	GF - Cost	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill establishes a number of tax incentives against the personal income tax, sales tax, and petroleum gross earnings tax to encourage the production and use of biodiesel fuel for transportation and heating. The short-term impact of these tax incentives cannot be determined but is anticipated to be minimal because the commercial availability of biodiesel is limited. However, as the availability of alternative fuel sources increases these incentives are likely to have a very significant impact on General Fund revenues, which could eventually be in excess of \$100 million per year.

The bill is expected to result in a cost to the Department of Revenue Services of \$300,000 in FY 08 and \$125,000 in FY 09 plus fringe benefit costs¹ to administer and audit the tax provisions contained in the bill.

¹ The fringe benefit costs for state employees are budgeted centrally in the Miscellaneous Accounts administered by the Comptroller. The estimated first year fringe benefit rate for a new employee as a percentage of average salary is 25.8%, effective July 1, 2006. The first year fringe benefit costs for new positions do not include pension costs. The state's pension contribution is based upon the prior year's

The bill requires additional tasks of the Institute of Sustainable energy located at Eastern Connecticut State University. It is estimated that the costs associated with these tasks would be \$120,000. Funds to accomplish the tasks are not included in the FY 08/09 budget as recommended by the governor.

Section 15 of the bill establishes a grant program within the State Department of Education for the purchase of diesel fuel containing at least 5% biodiesel, then 10% biodiesel and eventually 20% biodiesel. The bill does not specify how much funding would be provided nor a methodology for distributing the funds. Therefore the section results in a potential cost to the state and a potential revenue gain to local and regional school districts.

The bill creates a Connecticut Qualified Biodiesel Producer Incentive Account (Account) as a separate non lapsing account in the General Fund and requires the Connecticut Center for Advanced Technology (CCAT) to use funds from the account to provide grants and administer a grant program. The Connecticut Center for Advanced Technology, Inc. (CCAT) is a non-stock, tax exempt corporation and not a state agency. The Governor's recommended capitol budget provides a \$5 million GO bond authorization in both FY 08 and FY 09 for this purpose.

Requiring the Department of Economic and Community Development (DECD) to administer a program providing grants to service stations will increase costs to the DECD. DECD will require funds in FY 08 in the amount of \$105,000 plus fringe benefits to hire an economic and community development agent and an assistant economic community development agent. GO bond funds in the amount of \$5 million in both FY 08 and FY 09 are provided in the Governor's recommended capitol budget for this program. Minimal

certification by the actuary for the State Employees Retirement System (SERS). The SERS 2006-07 fringe benefit rate is 34.4%, which when combined with the non pension fringe benefit rate totals 60.2%.

additional costs of approximately \$5,000 are anticipated to be incurred in order for the DECD to adopt regulations.

It is estimated that the Connecticut Agricultural Experiment Station (CAES) would utilize the appropriation in the bill (\$1,300,000 in FY08 and \$800,000 in FY 09) for 3 additional full time employees and 3 summer assistants for bio fuel crop research and testing at a cost of approximately \$810,000 in FY 2008 and \$396,000 in FY 2009. The CAES anticipates transferring \$490,000 of the funds appropriated in FY 2008 and \$ 404,000 in FY 2009 to the University of Connecticut to undertake its duties. This appropriation is not included in the Governor's recommended budget.

The Out Years

The annualized ongoing fiscal impact identified is likely to grow significantly into the future.

OLR Bill Analysis**sSB 1329*****AN ACT CONCERNING BIODIESEL.*****SUMMARY:**

This bill creates a number of incentives to encourage the production and use of biodiesel fuel for transportation and heating. The bill:

1. creates a General Fund account to provide grants as incentives to biodiesel producers and distributors,
2. requires the Institute for Sustainable Energy to take various steps to promote biodiesel use,
3. requires the Department of Economic and Community Development (DECD) to administer a grant program for service stations installing alternative fuel pumps,
4. creates several biodiesel tax exemptions and credits,
5. requires the education commissioner to provide grants for biodiesel for school buses and school and municipal buildings,
6. creates a program to encourage biodiesel use in state buildings and facilities, and
7. provides funding to establish state biodiesel testing centers.

EFFECTIVE DATE: Various, see below.

BIODIESEL PRODUCER INCENTIVE ACCOUNT (§§ 1, 2 & 7)

The bill creates the Connecticut Qualified Biodiesel Producer Incentive Account (incentive account) as a separate, non-lapsing account within the General Fund to contain any money the law requires. The Connecticut Center for Advanced Technology (CCAT)

must use money from the account to (1) provide grants to qualified Connecticut biodiesel producers and distributors as the bill provides, and (2) administer the grant program. To qualify, biodiesel producers must be actively engaged in the commercial production of biodiesel in Connecticut. Distributors must be actively engaged in storing and distributing biodiesel in Connecticut for commercial purposes. Both producers and distributors must be registered with, and domiciled in, Connecticut, (it is not clear what existing registration requirements apply to producers, and the bill does not establish any registration requirements). The fuel produced and distributed must meet the standards for biodiesel specified by American Society for Testing and Materials (ASTM) designation D6751.

CCAT must (1) in consultation with DECD, adopt rules and regulations to administer the grant program and (2) submit an annual report to the energy and technology and environment committees.

EFFECTIVE DATE: July 1, 2007

INCENTIVE ACCOUNT GRANTS (§§ 3-6)

Producers

A qualified producer is eligible in any fiscal year for a grant equal to (1) 30 cents per gallon for the first five million gallons produced, (2) 20 cents per gallon for the second five million gallons produced, and (3) 10 cents per gallon for the third five million gallons produced. Quantities over 15 million gallons produced in a fiscal year are not eligible for grants. CCAT must determine monthly grant amounts by calculating the estimated quantity of biodiesel produced in the preceding month, and multiplying that figure by the incentive credit. Qualified producers can receive up to 60 monthly grants.

Producers must apply for the grants no later than 15 days after the last day of the month for which the grant is sought. The application must include (1) the producer's location, (2) the number of Connecticut citizens it employed in the preceding month, (3) the number of gallons of biodiesel produced during the month for which the grant is sought,

(4) a copy of the producer's registration, and (5) any other information CCAT considers necessary to ensure that the grants go only to qualified producers. CCAT must pay grants by the 15th day after receiving and approving an application.

Qualified producers are also eligible for a one-time CCAT grant to help them buy equipment or build, modify, or retrofit production facilities. The maximum grant is \$3 million, regardless of how many facilities the producer owns.

Distributors

A distributor is eligible for grants of up to \$50,000 per distributor for each distribution site. These grants may be for the actual monthly costs of creating biodiesel storage and distribution capacity, but cannot be used to buy equipment or build, modify, or retrofit facilities. CCAT must create an application process and adopt rules to administer this grant.

EFFECTIVE DATE: July 1, 2007

INSTITUTE FOR SUSTAINABLE ENERGY RESPONSIBILITIES (§ 8)

The bill requires the Institute for Sustainable Energy to compile and distribute consumer education material about biodiesel fuel to municipalities, local school boards, and private businesses. The institute must also establish, administer, and maintain a database of schools, restaurants, institutional cafeterias and other institutions and businesses in the state that produce waste vegetable oil or other comparable food products suitable for conversion to biodiesel. It must make the database publicly available on its website.

Businesses interested in selling their waste vegetable oil or similar food products to biodiesel producers may notify the institute and have their names, contact information, and business objectives placed on the website. The institute must make reasonable efforts to encourage contact between parties with similar interests. It must post educational material about this biofuel link program on its website. The information also must be posted on websites of DECD, the Agriculture

Department, the Connecticut Agricultural Experiment Station, the University of Connecticut's (UConn) Biofuel Consortium, and UConn Cooperative Extension System. The educational material must include information about starting and conducting a waste vegetable oil business.

EFFECTIVE DATE: October 1, 2007

SERVICE STATION GRANTS (§ 9)

The bill creates and requires DECD to administer a program providing grants to service stations to reduce or eliminate the costs of installing new alternative fuel pumps or converting gas or diesel pumps to dispense alternative fuels. DECD must adopt regulations to administer the program.

EFFECTIVE DATE: July 1, 2007

TAX EXEMPTIONS AND CREDITS (§§ 10-13)

Sales Tax (§ 10)

By law, sales of heating oil used to heat homes and certain buildings, locations, or premises are exempt from the sales tax. The bill also exempts the (1) renewable fuel content of heating oil and (2) purchase of equipment and machinery used to store, distribute, manufacture, and blend renewable fuels for heating purposes. Under the bill, renewable fuel content is home heating oil or diesel fuel containing at least 5% biodiesel, or pure biodiesel.

EFFECTIVE DATE: Upon passage and applicable to sales occurring on or after July 1, 2007.

Income Tax (§§ 11 & 12)

The bill establishes an income tax credit of one cent per gallon for each percent of biodiesel (up 20 cents per gallon) included in the biodiesel blended heating fuel (heating fuel) a state taxpayer buys between January 1, 2008 and December 31, 2012. The heating fuel must be used for space heating or to heat water for residential purposes.

A taxpayer who makes more than one qualifying purchase of heating fuel and the percentage of biodiesel varies must calculate each purchase separately. If two or more taxpayers share in the purchase of heating fuel, the amount of the credit must be prorated according to the percentage of heating fuel each purchased.

For the purposes of the tax credit, heating fuel is home heating oil blended with at least 2% biodiesel, and a residence is any structure, or part of a structure used as a place of abode, whether or not the person living there owns it. It includes multifamily dwellings, apartment buildings, condominiums and cooperative apartments, but does not include places where people live on a temporary or transient basis, hotels, or motels, except for units where the same occupant lives for at least 90 consecutive days. The credit is \$500 for each taxable year. In the case of two or more taxpayers sharing in the purchase of biodiesel blend, the total credit allowed in a taxable year cannot exceed \$500.

EFFECTIVE DATE: Upon passage and applicable to income years beginning on or after January 1, 2008.

Petroleum Products Gross Earnings Tax Exemption (§ 13)

By law, commercial heating oil blends are exempt from the petroleum products gross earnings tax if they contain at least 10% of alternative fuels derived from farm produce, food waste, waste vegetable oil, or municipal solid waste, including biodiesel or low sulfur diesel fuel. The bill expands this exemption to include such blends containing at least 5% of these alternative fuels.

It exempts, starting July 1, 2007, the first sale of biofuels or biodiesel that meet ASTM designations or D396 (home heating oil) or D975 (diesel fuel) that contain at least 5% renewable fuel or D6751 (pure biodiesel). It also exempts, starting July 1, 2007, the first sale of heating oil additives used to maintain the stability or operational performance of petroleum products.

EFFECTIVE DATE: July 1, 2007

USE OF BIODIESEL BLENDS IN STATE BUILDINGS (§ 14)

The bill requires the administrative services commissioner, in consultation with the Office of Policy and Management, to establish a program to encourage the use in state buildings and facilities of biodiesel blends according to the following schedule:

1. from July 1, 2008 until June 30, 2010, up to 95% ultra low sulfur number 2 heating oil and at least 5% biodiesel;
2. from July 1, 2010 until June 30, 2012, up to 90% ultra low sulfur number 2 heating oil, and at least 10% biodiesel; and
3. from July 1, 2012 until July 1, 2017, up to 80% ultra low sulfur number 2 heating oil, and at least 20% biodiesel.

By January 1, 2008, the commissioner must prepare a program implementation plan that must (1) identify state buildings and facilities suitable for the use of biodiesel blended heating fuel, (2) evaluate energy efficiency and reliability of biodiesel blended fuel in such buildings, and (3) evaluate the availability and feasibility of exclusively using such fuels produced from Connecticut agricultural products or waste grease.

EFFECTIVE DATE: July 1, 2007

GRANTS FOR SCHOOL BUSES AND SCHOOL AND MUNICIPAL BUILDINGS (§ 15)

By July 1, 2008 and until June 30, 2010, the bill requires the education commissioner, within available appropriations, to award annual grants to municipalities and local and regional school boards to buy diesel fuel containing at least 5% biodiesel for school buses and school and municipal buildings. The commissioner must award such grants for purchasing (1) diesel fuel containing at least 10% biodiesel starting July 1, 2010 until June 30, 2012 and (2) diesel fuel containing at least 20% biodiesel between July 1, 2012 and June 30, 2017. The commissioner must adopt regulations for the grant program.

EFFECTIVE DATE: July 1, 2007

STATE BIODIESEL TESTING CENTERS (§§ 16-18)

The Connecticut Agricultural Experiment Station, in consultation with the UConn Biodiesel Consortium, and state universities and agencies, must develop a program to enable it, UConn, and other state universities and agencies to serve as testing centers for biodiesel and biodiesel fuels for heating and transportation, and to develop quality monitoring standards that comply with ASTM standards. The Experiment Station must report on its progress by February 28 annually to the energy and technology and environment committees. The bill appropriates \$1,300,000 to the Experiment Station for FY 08 and \$800,000 for FY 09 for biodiesel crop research and biodiesel testing.

Effective Date: July 1, 2007, except the funding for FY 09 is effective July 1, 2008.

BACKGROUND***Related Bill***

sSB 1260, reported favorably by the Environment Committee, has similar provisions.

Connecticut Center for Advanced Technology

Universities, businesses, and state and federal agencies established CCAT in 2002 with a \$1.5 million grant from the U. S. Air Force. CCAT focuses on developing the next generation of technological systems for military and civilian applications. Its initiatives include creating centers to (1) develop and deploy advanced technologies; (2) help entrepreneurs launch new, technology-based businesses; and (3) encourage colleges and universities to train students for advanced technology fields.

Institute for Sustainable Energy

The institute was established in 2001 at Eastern Connecticut State University to identify, develop, and implement the means for achieving a sustainable energy future. It is funded and supported by the Connecticut Energy Efficiency Fund through the Energy

Conservation Management Board and the Department of Public Utility Control.

American Society for Testing and Materials

ASTM is a not-profit organization that provides a forum for the development and publication of voluntary consensus standards for material, products, systems, and services.

COMMITTEE ACTION

Energy and Technology Committee

Joint Favorable Substitute

Yea 22 Nay 0 (03/13/2007)